

A Work Project, presented as part of the requirements for the Award of a
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CONSUMPTION AND EMOTIONAL COMPENSATION IN ECONOMIC CRISIS

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Abstract

The present work project aims to study the Portuguese consumer attitude towards non essential goods during economic crisis. It is inspired by a recent trend described in the media as the *Lipstick Effect*. In order to address the abovementioned objective, we conduct a research that includes an exploratory phase (Case Studies) and a descriptive phase (Questionnaires). Please note that we do not aim to define “economic crisis”, the concept in the work project is “perceived economic crisis”. The analysis reveals that Portuguese women reflect a need for emotional compensation during economic crisis and so, despite facing budget constraints, they still make expenditures on non essential goods. The non essential goods where female consumers maintain their expenditure are essentially related to Beauty Care and Telecommunications.

Key Words

Lipstick Effect

Emotional compensation

Consumer behavior

Case Study Research

Descriptive Research

Note: Although the present report is written in English, the questionnaire and the quotes are presented in Portuguese as the interviewees are all native Portuguese speakers.

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1. Work Project's Objectives

1. To understand what is the *Lipstick Effect* in Portugal;
2. To establish what are the main similarities/disparities with the understandings from the media and business literature;
3. To understand what is the prevailing female consumers' attitude during economic crisis in Portugal;
4. To list what are the categories of product included in the phenomenon in Portugal.

2. Literature Review

First ever made official in 2001, the *Lipstick Effect* is, thus, a recent phenomenon which has not yet been studied by the academic literature. This fact explains, to the best of our knowledge, the low number of researchers and reports fully dedicated to this subject. Therefore, the current information sources about the *Lipstick Effect* are basically from the media and business literature.

According to the prevailing information, there are two possible understandings to define *Lipstick Effect*: the trading down behavior and the emotional compensation behavior.

2.1. *Lipstick Effect*: What is it?

2.1.1. Trading Down understanding of *Lipstick Effect*

The first understanding states that, during economic crisis, “rather than losing the spending habit, consumers simply trade down to cheaper items to cheer themselves up” (Elliott, 2008). Thus, this understanding points out to a phenomenon of trading down on non essential goods. The rationality is that, if the consumer can no longer afford the expensive item from a given category, she buys the cheapest one within the

same category. For instance, if the consumer cannot afford a silver bracelet, she buys a plastic bracelet and, in the end, she is still able to get a fashion accessory. Other example is defended by recent articles which refer a new trend relating the effect with plastic surgery. According to these articles, during economic crisis, consumers switch from surgical interventions to laser assisted ones, which present a more affordable price (American Academy of Facial Plastic and Reconstructive Surgery, 2009). The curious fact of this understanding is that, during an economic crisis, instead of not buying the non essential product/service at all, consumers actually buy it, but using the affordable substitute.

2.1.1.1. Support for the Trading Down understanding

Silverstein (2006) provides a possible rationale for this phenomenon. He affirms that consumers are sophisticated players who optimize their disposable income with games of trading up and trading down. There is a permanent “treasure hunt”, a relentless search of the consumer for the best option. During uncertain economic times, this need for optimization is more evident and so consumers, as rational agents, are forced to make trade-offs. This is visible as consumers give up expensive items, continuing to spend money on affordable items within the same category. Therefore, the aforementioned understanding is a practical application of the current bifurcation of the market with consumers buying mostly at the low and the high end.

2.1.2. Emotional Compensation understanding of Lipstick Effect

The second understanding of *Lipstick Effect* points out to emotional compensation. More specifically, it states that the *Lipstick Effect* is the tendency for consumers to purchase comforting items, during an economic crisis, as they can no longer afford the items they used to afford in regular economic conditions (The

Economic Times, 2008). For instance, it means that, during economic crisis, if a female consumer can no longer buy a new car or a whole new outfit, she buys pick-me-up and comforting luxuries, such as a new lipstick or a new perfume as self-indulgences (The Economic Times, 2008). The phenomenon is related to the consumers' need for buying some consoling luxuries intended to act as mood lifters, during tight economic periods. These categories of products, where the consumer spends in order to cheer herself up, are naturally the ones with which the consumer is more emotionally engaged (Silverstein and Fiske, 2005).

2.1.2.1. Support for the Emotional Compensation definition

Silverstein and Fiske (2005) define emotionally engaging products, with high quality yet affordable, as *New Luxury* products. Middle-market consumers are willing to pay a premium price for products that the authors classify as *New Luxury*. Those products present, simultaneously, a higher level of quality than other products in the same category and a price that is affordable. According to the authors, there are three types of *New Luxury* goods: "Accessible Superpremium", "Old Luxury brand extensions" and "Masstige Goods". "Accessible Superpremium" are products priced at or near the top of their category so they are considered premium. However, these goods are accessible to middle-class consumers as they are relatively low-ticket items, for instance, a premium bottle of vodka. "Old Luxury brand extensions" are lower priced versions of products created by companies whose brands have traditionally been very expensive. For instance, the C-Class coupe from Mercedes-Benz is sold at a more affordable price than the other Mercedes cars. "Masstige" (mass prestige) goods are between "mass" and "class", they present a premium price over conventional products but are priced well below Superpremium or Old Luxury goods. An example from the

authors is the Bath & Body Works lotion which sells for 9.00\$, in the USA, while the conventional body lotion sells for about 3.00\$. These three types of *New Luxury* goods have one particularity in common: “New Luxury goods are always based on emotions and consumers have a much more emotional engagement with them than with other goods.” (Silverstein and Fiske, 2005). As so, the abovementioned categories of *New Luxury* goods can fit in the understanding of emotional compensation.

2.1.2.2. Historical support for the Emotional Compensation understanding

The historical base of the *Lipstick Effect* supports the second understanding. In fact, most of what is known about the *Lipstick Effect* comes from the cosmetic industry (face, eyes, lips, nails), with women spending on the beauty care category as a way of cheering themselves up when they can no longer afford the non essential products they used to afford (The Economic Times, 2008). Historically, the first time the phenomenon is noticed is during the Great Depression, between 1929 and 1933, as the sales of cosmetics rose in the USA while its industrial production decreased by 50%. Another remarkable period is registered after the 9/11 and the subsequent recession, in the USA, when the sales of lipstick doubled in the country (Telegraph Reporter, 2008). Actually, it was after this, that Leonard Lauder, Chairman of Estee Lauder, popularized the “*Lipstick Effect*” expression. He referred that the notable increase in lipstick sales was a reflection of a need for compensation by consumers (Schaiffer, 2008). Some experts actually go further stating that there are two types of product that sell more during times of uncertainty: inferior goods, because people can no longer afford their favourites; and cosmetics, as “small indulgences, a kind of morale boosters.” (Schaiffer, 2008). The *Lipstick Effect* was actually confirmed by the increase in sales of powerful cosmetic companies – L’Oréal, Beiersdorf and Shiseido – in the recessions of 1980, 1990 and

2000 with consumers substituting big ticket items for cosmetics as affordable luxuries (Elliott, 2008).

2.2. Lipstick Effect: What categories of products are included?

2.2.1. Categories for the Trading down understanding

Regarding the trading down understanding of *Lipstick Effect*, every non essential product category can be included in the phenomenon: “almost every category of consumer goods is in the process of forming into pools at both ends of the market” (Silverstein, 2006).

2.2.2. Categories for the Emotional Compensation understanding

Concerning the emotional compensation understanding, there are currently different perspectives about the categories of products included. There are researchers who generalize the effect to every affordable item that may cheer up the consumer, involving several categories according to each personal preference (accessories, gadgets, fast food, etc). There are others who consider that the phenomenon comprises only the beauty care category (cosmetics, skin care, hair care and perfumes) or even just the traditional lipstick. Mintel (2009) dismisses the *Lipstick Effect* as being related to lipstick sales defending hair care and skin care as the new categories used by consumers as mood lifters. In spite of these different views, all existing information on the compensation effect converges to the *Lipstick Effect* as referred to emotionally engaging products that consumers use in order to cheer themselves up during recessions.

2.3. Lipstick Effect: Which consumers are included?

Middle-class consumers are the ones who best fit the two understandings of *Lipstick Effect*: they are forced to make trade-offs during a crisis, but can still afford non essential goods. On the one hand, consumers from higher classes are not so affected by

economic crisis and, on the other hand, low-class consumers do not have spare income during tight economic periods to buy non essential products or services (Silverstein, 2006).

Nonetheless, for the emotional compensation understanding, there is also a distinction between women and men. Some experts limit the *Lipstick Effect* only to women while others consider men too, but still supporting a higher visibility of the phenomenon of emotional compensation on women. Women are the main decision makers and they are the historical drivers of the *Lipstick Effect* understood as a compensation phenomenon (Silverstein and Fiske 2005). Women are more likely to get emotionally included with products (Silverstein, 2006). However, men are also comprised in the phenomenon of emotional compensation since there are emotionally engaging goods in which they can increase spending during tight economic periods. Naturally, the main categories are different, with small gadgets and fast food being the claimed preferred categories when it comes to choose cheering products (Turner, 2009).

3. Our Research

In the first part of the work project, we define the *Lipstick Effect* as supported by the main recent business research and media to acknowledge if there are theories that can effectively explain the effect and its relevance. In addition, we define which categories of product are included in the *Lipstick Effect* and which type of consumer better fits in the *Lipstick Effect*.

The next part of the work project, the market research, has the objective of understanding which is the attitude of Portuguese female consumers during economic crisis. In order to accomplish this objective, we first conduct an exploratory research to formulate hypothesis about Portuguese female consumers' attitude towards non

essential goods in economic crisis. The exploratory research focuses on middle-class women, as middle-class consumers are the ones who feel economic crisis but can still afford non essential goods; and women, as they are the most sensitive consumers and more emotionally engaged with products (Silverstein, 2006). Secondly, we test the hypothesis with a Descriptive Research with middle class women.

4. Exploratory Research: Case Study Research

4.1. Methodology

“A case study is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context (...)” (Yin, 1994).

We conduct a Case Study research because we are measuring a process, a change in behavior. We observe how the consumer behaves in a regular economic period and how she changes her behavior when faced with an economic crisis. We face several variables that lead to a prevailing attitude which is adopted during economic crisis. We do not measure a distinct point in time but a process: “The case study inquiry copes with the technically distinctive situation in which there will be many more variables of interest than data points.” (Yin, 1994). This is why we cannot use a qualitative research with an In-depth interview. An In-depth interview only allows us to have deeper information about one data point and not about a process.

In addition, the work project meets all the three conditions (Yin, 1994) for a case study research to be conducted. Firstly, the type of research questions being posed are “how?” and “why?”, more specifically, *How to characterize the consumer behavior of Portuguese middle-class working women in difficult economic times?* and *Why do these consumers make certain choices when faced with budgets constraints?*. Secondly, the study is about a contemporary phenomenon which is economic crisis. It is true that there

are already other economic crisis records but none of them had such widespread consequences as the current one. Finally, there is little control over the events since we are talking about consumer attitudes so, there is “no possible manipulation of behavior directly and systematically as it would be in a laboratory experiment” (Yin, 1994).

The Case Study method is complex and requires time and specific knowledge. We try as much as possible to follow the rules established in the academy (Yin, 1994) and we use as well other articles from scientific journals which rely on the Case Study method. Worth mentioning is the article from Susan Fournier (1998), a very well known Case Study research, with which the present work project has several similarities.

The presented case studies comprise middle-class women aged above 18 years old chosen for their diversity of ages and life style. The interviews last, on average, 1 hour, and are for the most part on the consumer behavior topic.

We present a Case Study research which has a *Multiple Case Design* with a *Single Unit of Analysis*. It is a *Multiple Case Design* as we have more than one case study. It has a *single unit of analysis* as we are just measuring the attitude of Portuguese female consumers during economic crisis.

We have seven case studies, four are presented below in the work project and three are in the appendixes due to space restrictions. The presented four case studies are chosen according to the difference in attitudes so that we can have a sample of the main hypothesis. This means that we present interviewees that adopt different main attitudes during economic crisis.

4.2. Results

4.2.1. Summary of the Case Studies

4.2.1.1. Case 1: Ana

Ana is a 47-year-old woman who has one daughter but lives with her ill mother. She owns a small hairdressing salon in the city center of Lisbon which she inherited from her family. Despite having an undergraduate degree in Tourism, Ana has worked as a hairdresser all of her life and she reveals a feeling of frustration when talking about her job and income. Ana is clearly a dreamer who imagines the day she will be able to afford to have holidays and to buy more products for her own care. Among the interviewees, Ana is definitely the more discouraged woman, reflecting disappointment with her current life stage.

Ana admits to buy some products for herself on a regular basis, such as clothes or perfumes, though being always very restricted by her disposable income. The essential expenditures, for her considered as house expenses, public transportation and groceries are her priorities and there is usually not much income left for an indulgence.

In a period of economic crisis, Ana claims no change in groceries' expenditures but, in what concerns non essential goods, she distinguishes two different periods: before and after crisis. Crisis is a theme with which she is very familiar since she states to have significantly reduced the quantity of non essential goods she buys. Now, clothes are purchases which are done only when strictly necessary. Ana says that the last product she bought for herself was a pair of earrings in a Chinese store and every other accessory she wears is lent from her daughter. There are no recallable expenses for her in the last months. When talking about extravagances in 2009, Ana recalls one single product: a perfume, which she bought despite being relatively expensive. The perfume

worked as a kind of comforting item as she was not able to go on holidays for the seventh consecutive year “*trabalho...há 7 anos que não tenho férias...trabalho, trabalho, trabalho, 12 horas por dia quando não é mais...porque é que eu não hei-de ter um mimo só para mim? Também mereço... já que não tenho férias... mereço um mimo...*”.

4.2.1.2.Case 2: Paula

Paula, 39 years old, works as a laboratory technician at the well known *Fnac* store. She is a modest single working woman and lives only with the company of her 19-year-old ill dog. She works 6 days a week from 3 pm till midnight and she usually relaxes in the cinema or in a café with her colleagues, after work.

In a regular period, Paula's essential expenditures are basically related with house expenses, public transportation and groceries. The latter is not a high expenditure since Paula is vegetarian, claiming not to spend much in a meal. Paula is passionate for natural and fruit flavor products which is reflected both in her eating habits and in her favorite items as perfumes, accessories and hygienic products such as shampoos and body milk. Paula is not loyal to brands but at the same time, she does not care about price if she really values the product.

In a period of economic crisis, Paula says she had to make some trade-offs to keep buying these items which she really values and so, she gave up her impulse to buy other items such as tennis shoes, books and visits to the gym. Paula states she keeps buying her shampoos, lotions, perfumes and accessories because they make her feel better and she prefers to give up on some products and services in order to keep buying her preferred items: “*...uso...shampôs próprios da Kerastase que eu sei que não são*

baratos mas que eu não abdicó deles...é uma coisa que eu gosto e me faz bem, me faz sentir bem”.

4.2.1.3. Case 3: Maria

Maria is 24 years old. She took an undergraduate degree in *Law* and started her career in the *Law* business two years ago. While working, Maria decided to take a Masters degree which she finished this year. Despite still living with her mother, with whom Maria keeps a very close relationship, Maria is now an independent woman totally familiar with the need for a permanent optimization of her monthly budget. Price and brand are crucial factors in her buying decision. She is loyal to a list of brands but price helps her making the final decision.

In a regular economic period, Maria states she loves to buy clothes as long as they are not too expensive but still stylish for her. Hair care and face care are also valuable for Maria and so she buys shampoos in the hairdresser and lotions in the pharmacy to ensure they are trustable. By looking at her, it is clear that Maria has some concerns about her image and that she likes to be fashionable.

In a period of economic crisis, Maria claims no change in groceries expenses, as they represent for her the essential goods; cosmetics as they are not already that expensive; and shoes which she admits to be her passion. The other categories of products are now bought at a lower price. In fact, Maria admits to have stopped buying shampoos in the hairdresser and lotions in the pharmacy to buy them in the supermarket. Clothes are now bought only on sales, excepting if they present already a very cheap price: *“se calhar foi um bocadinho influenciado pela crise...comecei a ter mais atenção aos preços e a comparar e a fazer escolhas e a comprar coisas mais baratas”.*

4.2.1.4. Case 4: Fátima

Fátima is 33 years old and she lives with her husband, in a small apartment in the city center of Lisbon, where she works as a press assistant for a free newspaper. Fátima is a very simple and down-to-earth woman, who sees herself as extremely rational when it comes to making choices as a consumer. The couple has no children and so their main expenditures are related to essential goods such as groceries, house expenses and public transportation. The remaining income is for non essential goods, where Fátima makes more trade-offs depending on the circumstances.

In a regular period, she admits to spend some money in needless goods such as some accessories, perfumes and cosmetics but also in some cultural products such as books, CDs and concerts.

In a period of economic crisis, though there are no changes in groceries' expenditures, there are changes in consumer behavior towards non essential goods in order to maximize disposable income. Essentially, Fátima affirms to reduce the quantity bought within each category of product. *“não compro tanto como, se calhar, já comprei noutras épocas...”* The rationality behind is that, in order to save money, it is preferable to buy less quantity but better quality: *“Porque acho que se comprar um produto de maior qualidade me vai durar mais e também estou a poupar”*. As so, Fátima admits to have bought, for instance, just one make-up package, one coat and one perfume during the year 2009 and, following the same rationality, she also enjoyed a shorter but higher quality holiday in a hotel with her husband, during this summer: *“eu acho que mudei na quantidade mas não mudei nas lojas...no tipo de lojas onde vou...se calhar em vez de comprar 3 produtos compro um....se calhar em vez de 3 peças de roupa compro uma...”*

4.2.2. Hypothesis

4.2.2.1. *Attitude towards essential goods*

The analysis of the case studies makes it noticeable that there is a clear division of attitudes towards essential and non essential goods during an economic crisis. According to the interviewees, the concept of essential goods includes mainly groceries, house expenditures and transportation. There is one main attitude towards essential goods during economic crisis which is trading down. This is our first hypothesis for female consumer attitude towards essential goods during economic crisis (Attitude 1). However, as we use the following hypotheses during the descriptive research, we have to make sure that alternative hypotheses are considered: “Where the research is more qualitative in nature then it is still recommended that hypotheses should be developed. These should include alternative hypotheses.” (Green, P.E., Tull, D.S. and Albaum, G, 1993).

- **Attitude 1:** In a period of economic crisis, consumers change neither the quantity nor the price of the essential goods they buy.
- **Attitude 2:** In a period of economic crisis, consumers buy the same quantity of essential goods but buy them at a lower price.
- **Attitude 3:** In a period of economic crisis, consumers buy less quantity of essential goods but buy them at the same price.
- **Attitude 4:** In a period of economic crisis, consumers change neither the quantity nor the price of the essential goods that are more important for them and buy all the other essential goods at a lower price.

4.2.2.2. Attitude towards non essential good

Concerning non essential goods, it is possible to identify a wide list of categories: clothing, accessories, beauty care, books, CDs, concerts, holidays, tennis shoes, gym and cinema. The aforementioned analysis highlights distinct attitudes towards these non essential products, during an economic crisis. These attitudes are our hypotheses for the female consumer attitude towards non essential goods during economic crisis. Attitude A is predicted as an alternative hypothesis for the previously explained reason.

- **Attitude A:** In a period of economic crisis consumers do not buy non essential goods anymore.
- **Attitude B:** In a period of economic crisis, consumers buy affordable *luxuries* in a certain category to feel compensated for having to stop buying products in other categories.

Ex: In a period of economic crisis, Ana buys a perfume to compensate not going on holidays.

- **Attitude C:** In a period of economic crisis consumers keep buying only the categories of product which are more important for them.

Ex: In a period of economic crisis, Paula keeps buying special hair care products and perfumes as they are important for her.

- **Attitude D:** In a period of economic crisis, consumers trade down to cheaper non essential goods within the same product category.

Ex: In a period of economic crisis, Maria buys cheaper hair care and skincare products.

- **Attitude E:** In a period of economic crisis, consumers decrease the quantity of non essential goods they buy within each category of product.

Ex: In a period of economic crisis, Fátima buys just one cosmetic package and one coat and one perfume instead of several items from each category.

5. Descriptive Research

5.1. Methodology

The second part is based on a quantitative research in order to test the hypotheses set up during the case study research. The questionnaire is based on the different attitudes identified during the case studies. These attitudes are divided in two groups: attitudes towards essential goods and attitudes towards non essential goods. Moreover, it is tested how women behave faced with different categories of products during crisis, since it is perceptible, in the case studies, that women prioritize some categories. The objective is to try to generalize the main attitude that women take when facing an economic crisis and to identify which are the main products/services involved.

5.1.1. Sample characteristics¹

Number of respondents	100
Social Class	Middle-Class ²
Average age	40 years old Range: (18; 60)
Average household	3 Range: (1; 6)
Percentage of women	100%
Percentage of women with kids	60%

¹ Additional sample characteristics in the appendixes.

² Definition of middle-class in the appendixes.

5.2. Results

5.2.1. Level of perceived economic crisis

The overall results highlight that economic crisis effects are not equally felt by all respondents (Figure 1)³. Consumers who strongly perceive crisis (level 4 and 5) are the ones who reduce both quantity and price of their purchases in 76% of the presented categories of non essential goods, during economic crisis. Whereas consumers who do not feel economic crisis with so much intensity are the ones who keep both quantity and price in more than 50% of the presented categories of non essential goods.

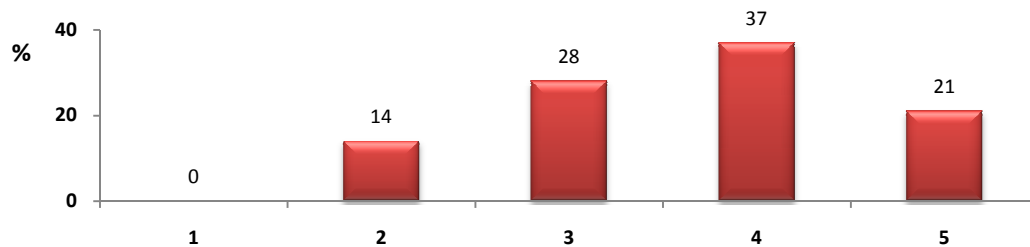


Figure 1: Distribution of respondents through levels of “perceived economic crisis” (1 “perceive weakly” and 5 “perceive strongly”)

5.2.2. Attitude towards essential goods

The answers reflect that participants consider more than one category of goods as essential though food is agreed in 100% to be part of the list (Figure 2).

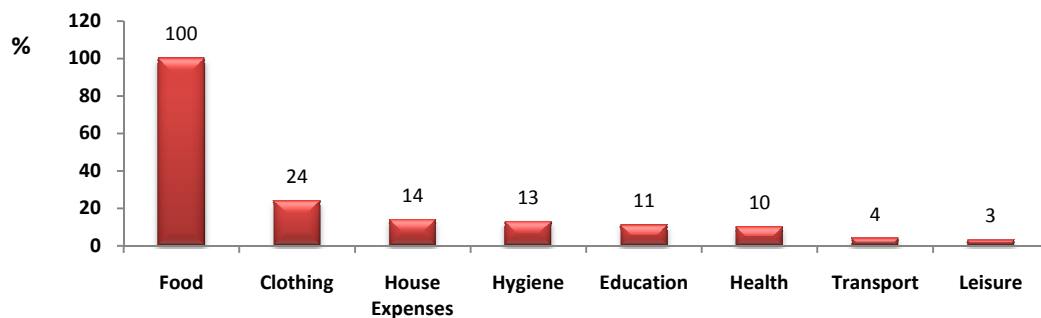


Figure 2: *O que considera bens essenciais?* – Open question with more than one possible answer

³ Answers with a perceived level of economic crisis of 1 are not included in the final sample. We want to make sure that respondents feel economic crisis at least with a level of 2 otherwise we would have biased answers.

In the categories of essential goods, 41% of respondents claim to buy the same quantity as before though at a lower price during a period of economic crisis (Figure 3). So, consumers admit to trade down in essential goods.

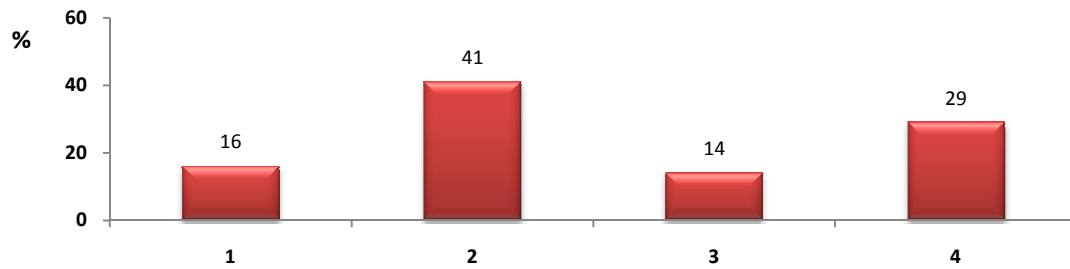


Figure 3: Attitudes towards essential goods (Only one possible choice)

Attitude 1: *Neste período de crise económica, compro a mesma quantidade de bens essenciais que comprava e ao mesmo preço.*

Attitude 2: *Neste período de crise económica, compro a mesma quantidade de bens essenciais que comprava mas compro mais barato.*

Attitude 3: *Neste período de crise económica, só compro os bens essenciais que são muito importantes para mim e o resto dos bens essenciais já não compro.*

Attitude 4: *Neste período de crise económica, só compro os bens essenciais que são importantes para mim e o resto dos bens essenciais compro mais barato.*

5.2.3. Attitude towards non essential goods

The prevailing attitude towards non essential goods is the emotional compensation, as the majority of consumers admit to buy one or two luxuries in order to feel good as they cannot buy the same quantity of goods as before (Figure 4).

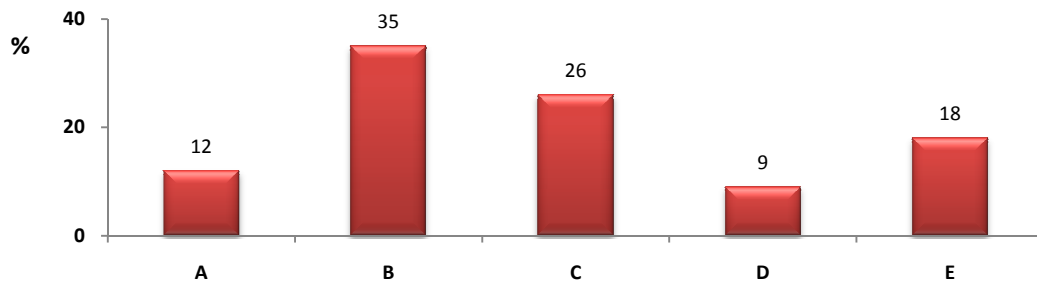


Figure 4: Attitudes towards non essential goods (Only one possible choice)

Attitude A: *Neste período de crise económica, deixei de comprar bens não essenciais.*

Attitude B: *Neste período de crise económica, comprei um ou dois “pequenos luxos” para me sentir bem porque de resto deixei de comprar bens não essenciais.*

Attitude C: *Neste período de crise económica, tive de fazer uma escolha: só continuo a comprar os bens não essenciais que são mesmo muito importantes para mim.*

Attitude D: *Neste período de crise, continuo a comprar os bens não essenciais que comprava mas compro mais barato.*

Attitude E: *Neste período de crise económica, reduzi a quantidade de produtos não essenciais que compro dentro de cada categoria de produto.*

The pre mentioned attitude is the same irrespectively of the intensity of perceived crisis. This means that the majority of consumers who feel crisis with an intensity of 2 and the ones who feel it with an intensity of 5 admit to have this attitude of emotional compensation.

Noteworthy is the fact that we have a second relevant attitude in the ranking, which presents some similarities with the prevailing one. It affirms consumers have to make a choice: to keep buying just products in the categories which are really important for them. This attitude is similar to the first one in the sense that it implies that consumers have emotional involvement with some categories and in those ones they make expenditures regardless of the economic situation. It implies a certain compensation too as the consumer makes a selection of the most important categories in order to keep the expenditures, even in a period of economic crisis.

Curiously, the less preferred attitude is the one of trading down in non essential goods, totally opposite to the most preferred one in essential goods where consumers admit to trade down in economic crisis. This reinforces the claim that non essential goods purchases include emotional engagement with the category

5.2.4. Categories of product included

The first conclusion we take when observing the attitude towards specific categories is that there are no categories in which consumers increase the quantity bought during economic crisis. Consumers either keep or decrease the quantity of non essential goods bought during economic crisis.

The categories in which the majority of consumers keep the quantity of products bought during economic crisis include mainly Beauty Care (hairdresser, esthetic center, perfumes and face lotion), Telecommunications and Books, though to a lower extent. On the contrary, the categories in which consumers decrease the quantity bought during an economic crisis are related to going out activities (restaurants and cinema); fashion accessories (purses, watches, *bijouterie*); CDs; house decoration and gifts.⁴

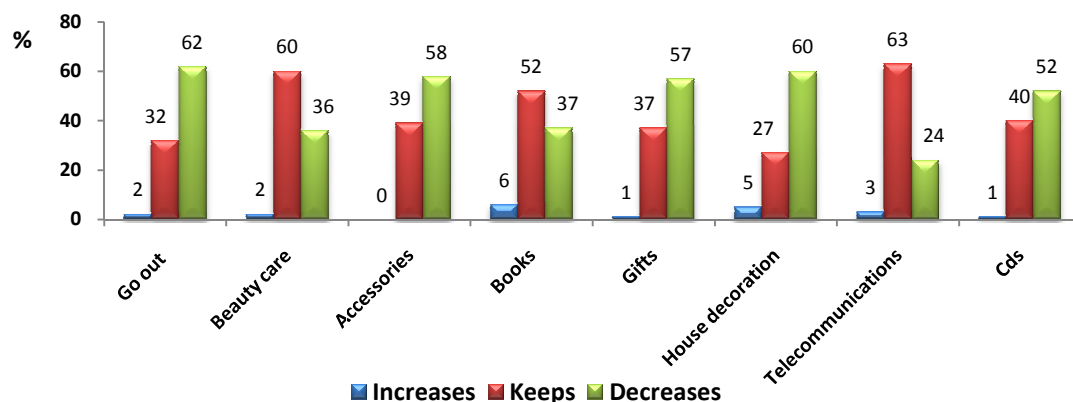


Figure 5: Attitude towards the quantity bought of the mentioned goods in a period of economic crisis compared to a regular period.

⁴ Respondents only answer to those categories that they consume. There are categories which do not sum 100% since they are not consumed by all respondents.

On top of this, if we observe the prices at which consumers buy the non essential goods during economic crisis, we see that they do not decrease the price at which they buy the products. This confirms that they do not trade down in non essential goods.

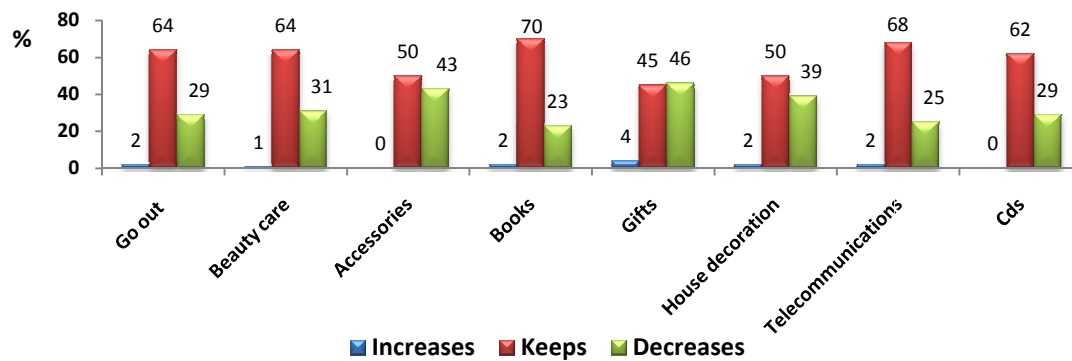


Figure 6: Attitude towards the price at which the consumer chooses to buy the mentioned goods during economic crisis compared to a regular period.

6. Conclusion

What is the *Lipstick Effect* in Portugal?

The present work project highlights the *Lipstick Effect* in Portugal, as the phenomenon of consumers' emotional compensation through the purchase of cheering products during economic crisis.

What is the similarity/disparity with the understandings from the media and business literature?

The prevailing behavior is in line with Leonard Lauder's claim that consumers feel a need to compensate a difficult economic period with comforting products. As consumers feel they can no longer afford the products they used to afford, they buy emotionally engaging products in order to cheer them up. This is also the most common definition stated in articles from the media.

Moreover, the prevailing behavior goes in line with Silverstein's claim that there is a new tendency for consumers to spend on *New Luxury* goods with which consumers

are emotionally engaged. More specifically, consumers make expenditures on “Accessible superpremium”, “Old luxury brand extensions” and “Masstige goods” as they all include emotionally engaging products within *New Luxury*.

Conversely, we can observe that the *Lipstick Effect* defined as a trading down phenomenon is not confirmed. Portuguese consumers do not seem to buy non essential goods at different prices during an economic crisis.

What is the attitude of Portuguese female consumers towards essential goods in economic crisis?

The goods which are identified by female consumers as essential are: food, clothing, house expenses, hygiene, education, health, transportation and leisure. Nonetheless, the only one which is considered as *essential* by 100% of consumers is food.

Female consumers keep the quantity but reduce the price of the essential products they buy. So, female consumers admit to trade down in essential goods.

What is the attitude of Portuguese female consumers towards non essential goods in economic crisis?

The most voted attitude, with a 35% share of respondents, is the following: *Neste período de crise económica, comprei um ou dois “pequenos luxos” para me sentir bem porque de resto deixei de comprar bens não essenciais*. In addition, 26% of respondents claim that: *Neste período de crise económica, tive de fazer uma escolha: só continuo a comprar os bens não essenciais que são mesmo muito importantes para mim*.

Therefore, the majority of respondents claim to buy one or two special products to feel good during a difficult economic situation whereas the second most

representative group claims to keep the expenditure on their preferred products. So, we have two attitudes of emotional compensation: one through the purchase of comforting luxuries; and the other through the selection of the most important non essential goods.

Either way, the female consumer finds a way of compensating her impossibility to afford what she was used to afford before an economic crisis with the purchase of emotionally engaging products. These two attitudes of emotional compensation altogether represent 61% of total answers. So, compensation attitudes prevail in our sample.

Which categories of product do consumers buy during economic crisis?

We see the Beauty Care category as one of the categories in which consumers keep the expenditure during economic crisis, though there is no evidence that specifically cosmetics are preferred as firstly noticed by Leonard Lauder. The beauty care products which are actually claimed to suffer no change during economic crisis are the hairdresser, the esthetic center, the face lotion and the perfume. Unexpectedly, telecommunications are also included in the categories in which consumers keep the expenditure in difficult economic times. Likewise, the books category is also a category in which consumers keep expenditures in economic crises, though to a lower extent.

7. Limitations

The present work project focuses on middle-class women based, essentially, on press publications and not on academic literature. The work project and its assumptions should be based on a more reliable source of information. In order to be more complete, the study about the Portuguese consumer attitude in economic crisis should be based on all type of consumers. However, due to time constraints it is focused on the target which appears to be more sensitive to consumption in economic crisis. In addition, there is a

concentration of the sample in the same geographic area: Lisbon. Time restrictions make it not possible to inquire women from different regions in Portugal.

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9. Appendixes

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1. Definition of middle-class for the work project⁵

For the present work project, middle-class is considered to be class C1 (Table 1). In Portugal, according to Marktest, middle-class is defined according to two variables: occupation and level of education. On the one hand, groups of occupation 1 and 2 ensure the person is from middle-class independently of the level of education (Table 2). On the other hand, a level of education superior to basic school (*9º ano*) ensures the person is from middle-class independently of the occupation. All other occupations depend on the level of education as well as the other levels of education which depend on the occupation. For instance, a woman with basic schooling is not from middle-class, but if she has an occupation included in Group 1 she is from middle-class.

A/B	<i>Alta/Média Alta</i>
C1	<i>Média</i>
C2/D	<i>Média baixa/Baixa</i>

Table 1: Social Classes in Portugal

GO 1: Quadros Médios e Superiores
GO 2: Técnicos especializados e pequenos proprietários
GO 3: Empregados dos Serviços/Comércio/Administrativos
GO 4: Trabalhadores Qualificados/Especializados
GO 5: Trabalhadores não qualificados/não especializados
GO 6: Não activos
GO 7: Estudantes
GO 8: Domésticas

Table 2: Groups of occupations in Portugal

⁵ Source: Marktest

2. Exploratory Research

2.1. Case Study questions:

A1) Consumer behavior in a regular period:

- a) Type of non essential products the consumer usually buys.
- b) Reason for buying the non essential products.
- c) Frequency with which the consumer buys non essential products.
- d) Emotional involvement with non essential products.
- e) Most appealing characteristic when deciding which non essential product to buy.
- f) Importance of price in the buying decision.
- g) Loyalty to categories of products.

A2) Consumer behavior in times of crisis:

- a) Similarities or disparities with the attitude during a regular economic period.
- b) Reason behind a possible modification in consumer behavior.
- c) Type of products in which the consumer keeps or increases expenditures.
- d) Frequency with which the consumer buys non essential products.
- e) Reason behind the purchase of non essential products during economic crisis.
- f) Emotional engagement with non essential products.
- g) Place and time of expenditures on non essential goods.
- h) Purchase of small luxuries during economic crisis.
- i) Reason for buying small luxuries if any.
- j) Emotional compensation with products.

2.2. Other Case Studies:

Case 5: Elisabete

Elisabete, 60 years old, is the manager of a small firm and she lives with her husband. Elisabete is an eye-catching woman with an evident care for her image and visible preference for branded accessories and clothes: *Dolce&Gabbana* sunglasses, *Rocco Barroco* blouse and a *Guess* purse. Her hair is carefully in place as well as her face which exposes colorful make-up.

Elisabete admits shopping to be one of her favorite hobbies and to regularly buy some products for herself such as boots, make-up, lotions and clothes. Moreover, she does not discard the frequency with which she goes to the hairdresser and manicure.

In a period of economic crisis, such as the year 2009, she admits to make some changes relatively to non essential goods while making no changes in groceries' expenditures. Elisabete says that, in difficult economic times, she thinks twice before buying a product and she usually waits for sales to buy it cheaper. Elisabete has a particular habit, more useful in crisis, which is saving money in a piggy bank, where she has the money to spend during sales "*eu todos os dias faço um mealheiro...e vou guardando e quando chega a altura dos saldos vou buscar...*". During crisis, the products which are not for sale, Elisabete simply does not buy. She referred a purse, a pair of boots and a coat as examples of items she would have bought in usual conditions but she gave up in 2009 as a consequence of crisis "*por exemplo vi uma carteira muito bonita que custava 600 e não sei quantos euros...eu olhei para a carteira e disse "eu não vou comprar"...eu gosto muito da carteira mas não vou comprá-la...*". Elisabete says that clothes and shoes were the items where she cut the most in this economic situation. On the other hand, she claims no change in the frequency with which she

goes to the hairdresser and no change in buying habits of branded cosmetics and perfume. Elisabete takes this priority to the extreme claiming these are essential goods *“Nesse caso para mim não é superfluo ...um batom, um creme, um rímel, está a ver... eu acho que isso é normal as pessoas terem necessidade, é como comer...”*.

Case 6: Helena

Helena is 34 years old. Helena is a jurist who has lived alone in a rented house for the last years and now has finally been able to save enough money to buy a house. Among the interviewees, Helena is, for sure, the most cheerful and energetic woman when talking about her experiences, pronouncing her words at an extremely accelerated pace.

Helena lives alone and so, her disposable income is to be divided in the recent mortgage, in public transportation, groceries and in unnecessary items which she admits to be her *sin*. Helena realizes that she is the type of woman who *loses her head* when she goes shopping. In a regular period, she admits to buy whatever she sees and even get regretful after some purchases. In addition, she also confesses never to make a groceries list and to buy unnecessary products at the supermarket too.

In a period of economic crisis, such as the year 2009, Helena says there are some changes both relatively to essential goods and to non essential ones. She buys more private label products when she goes to a supermarket though admitting to still buy more products than predicted, and admits significantly reduce the quantity of non essential products *“enfim eu passava numa loja e via qualquer coisa e gostava e aquilo era quase um impulso que não conseguia dominar e agora não...agora tenho mais cuidado...”*. The rationality she has is that, it is better not even to go shopping, as she is conscious that she cannot control her impulse. So, Helena reduces the frequency with

which she goes at a mall “*mas antes acontecia com mais regularidade e agora nem por isso porque evito...evito claro andar nas lojas pura e simplesmente...tento ter um bocadinho mais de cuidado que antigamente não tinha...*” Nonetheless, when talking about extravagances in 2009, Helena is able to list a particularly expensive pair of shoes, several face lotions bought just at a time, several accessories at *Stone by Stone* and a bunch of make-up. When questioned about the reason for these type of extravagances, Helena does not doubt in saying that these products make her feel better “*porque são coisas que me fazem sentir melhor...às vezes é assim...os homens se calhar se comprarem uns tapetes novos para o carro ou um tubo de escape sentem-se melhor...sentem-se melhor nesse dia ou nessa semana e no meu caso gosto imenso ou de perfume ou de um creme ou de comprar uma coisa qualquer deste tipo... faz-me sentir bem...*”.

Case 7: Manuela

Manuela is a 41-year-old married woman and a mother of two sons. Not too long ago, Manuela and her family moved to a bigger house where they can enjoy having a garden for the children to play, though the house is more distant from her work place, where she exerts her jurist role. Manuela is a very dedicated mother and she makes trade-offs for the best of her sons. They both go to Private School and frequent after-school activities. When talking about her, the conversation always goes in parallel with the subject of her children or husband.

Manuela has recently bought a new car so that she and her husband can better split themselves between the work and the children. As so, their budget was particularly limited this year and aggravated with crisis, what made Manuela and her husband to rethink ways of optimizing their disposable income. Relatively to essential goods and to

the essential products for the well being of her children, Manuela says there were no changes.

When talking about the year 2009, Manuela basically refers a new way of thinking so as not to make purchases on impulse “*sabe o que senti este ano de 2009 por acaso...senti que...eu antes de comprar pensava mais...questionava-me a mim própria “precisas?” e depois respondia não...*” Both Manuela and her husband used this exercise in order not to spend unnecessary money. As so, Manuela says that she reduced the consumption of some products for herself such as clothes, purses and shoes though the last two items are her favorites. Before the economic crisis, she admits that she used to lose her head more frequently with purses and shoes. Moreover, she started to use more the bus instead of taxis, she fired her gardener and reduced the consumption of air-conditioning at home. Manuela sees herself and her husband as very self conscious people, who, now more than ever, do not buy impulsively. When asked about extravagances in 2009, Manuela only refers a purse and a pair of shoes which were in promotion. There are two areas though, where Manuela keeps spending money because she enjoys and she considers it not that expensive: hairdresser, once a week “*Mantive...o cabeleireiro mantive...*”; and accessories “*se eu passar na Parfois por exemplo e vir uma pulseira que me custa 4 euros e achar que não tenho uma daquela cor e gosto e fica bem eu compro...agora se for uma carteira que me custa 50 euros se calhar já não compro logo... vou pensar...*”

3. Descriptive Research

3.1. Questionnaire

Boa tarde. Estou a fazer um questionário para perceber o comportamento do consumidor em tempos de crise económica. Nesse sentido, se não se importar, gostaria de lhe fazer umas breves perguntas sobre este tema. Então as perguntas são as seguintes:

1. Tem a percepção que estamos em crise económica?

Sim ☐

Não ☐

2. Acha que a crise económica afecta a quantidade ou o tipo de produtos que compra?

1	2	3	4	5
Não afecta				Afecta

3. Vou-lhe mostrar agora um cartão que descreve 4 atitudes diferentes em relação a bens essenciais, neste período de crise económica. Diga, por favor, qual é a situação que melhor se aplica ao seu caso.

3.1.O que considera bens essenciais?

4. Vou-lhe mostrar agora um cartão que descreve 5 atitudes diferentes em relação a bens não essenciais, neste período de crise económica. Diga, por favor, qual é a situação que melhor se aplica ao seu caso.

5. Vou-lhe mostrar agora um cartão com uma lista de categorias de produto. Diga, por favor, se tem a sensação de comprar ou frequentar mais, menos ou de igual forma, neste período de crise económica.

6. Posso fazer-lhe apenas mais umas perguntas?

6.1.Posso pedir-lhe a sua idade?

6.2.Posso pedir-lhe a sua profissão?

6.3.Posso pedir-lhe o seu nível de educação?

6.4.E o tamanho do seu agregado familiar?

6.5.E a sua situação familiar? Vive sozinha?

Cartão 1

Atitude 1: Neste período de crise económica, compro a mesma quantidade de bens essenciais que comprava e ao mesmo preço.

Atitude 2: Neste período de crise económica, compro a mesma quantidade de bens essenciais que comprava mas compro mais barato.

Atitude 3: Neste período de crise económica, só compro os bens essenciais que são muito importantes para mim e o resto dos bens essenciais já não compro.

Atitude 4: Neste período de crise económica, só compro os bens essenciais que são importantes para mim e o resto dos bens essenciais compro mais barato

Cartão 2

Atitude A: Neste período de crise económica, deixei de comprar bens não essenciais.

Atitude B: Neste período de crise económica, comprei um ou dois “pequenos luxos” para me sentir bem porque de resto deixei de comprar bens não essenciais.

Atitude C: Neste período de crise económica, tive de fazer uma escolha: só continuo a comprar os bens não essenciais que são mesmo muito importantes para mim.

Atitude D: Neste período de crise, continuo a comprar os bens não essenciais que comprava mas compro mais barato.

Atitude E: Neste período de crise económica, reduzi a quantidade de produtos não essenciais que compro dentro de cada categoria de produto.

Cartão 3

	Consumo			Preço		
	Aumentei o consumo	Consumo o mesmo que antes	Diminuí o consumo	Compro mais barato	Compro do mesmo preço	Compro mais caro
Restaurantes						
Férias						
Cinema/Teatro						
Discoteca/Bar						
Transporte individual (carro/mota)						
Transporte colectivo (metro/autocarro)						
Cabeleireiro						
Calçado						
Roupa						
Maquilhagem						
Perfumes						
Creme para pele						
Malas						
Bijuteria						
Relógios						
Decoração						
Livros						
Cds						
Alimentação						
Prendas						
Esteticista						
Telecomunicações						
Educação (própria)						
Educação (dos filhos)						

Perfil

Idade

18-25	
25-30	
30-35	
35-40	
40-45	
45-50	
50-55	
55-60	
+60	

Profissão⁶

GO 1: Quadros Médios e Superiores	
GO 2: Técnicos especializados e pequenos proprietários	
GO 3: Empregados dos Serviços/Comércio/Administrativos	
GO 4: Trabalhadores Qualificados/Especializados	
GO 5: Trabalhadores não qualificados/não especializados	
GO 6: Não activos	
GO 7: Estudantes	
GO 8: Domésticas	

⁶ Os grupos ocupacionais 1 e 2 são os que garantem que o consumidor é da Classe Média independentemente do nível de educação. Qualquer outra profissão de outro grupo está pendente da resposta relativa ao nível de educação. Consumidores com educação superior ao 9º ano são considerados da classe média.

Os grupos apresentados são os grupos ocupacionais previstos para Portugal pela Marktest.

Nível de educação⁷

< 9º ano	
9º ano	
12º ano	
Licenciatura	
Mestrado	
>Mestrado	

Tamanho do agregado familiar

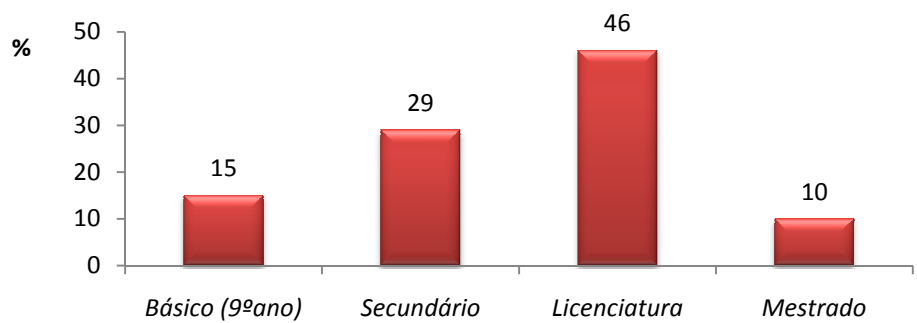
1	2	3	4	5	6	+6

Situação familiar

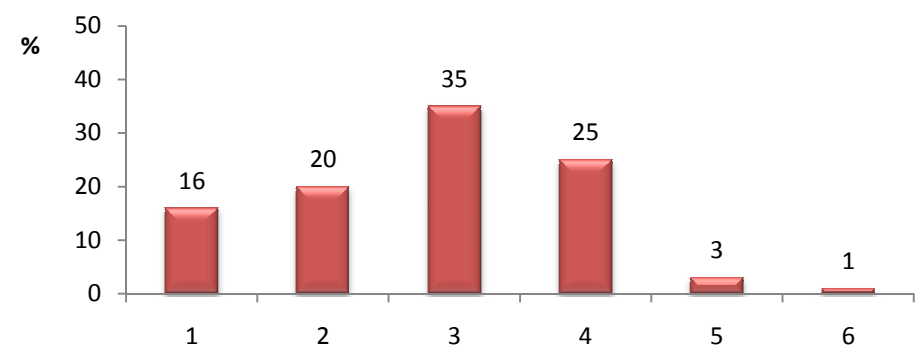
Vive sozinho	
Vive com marido/namorado	

⁷ Só consumidores com escolaridade superior ao 9º ano poderão ser considerados da Classe Média.

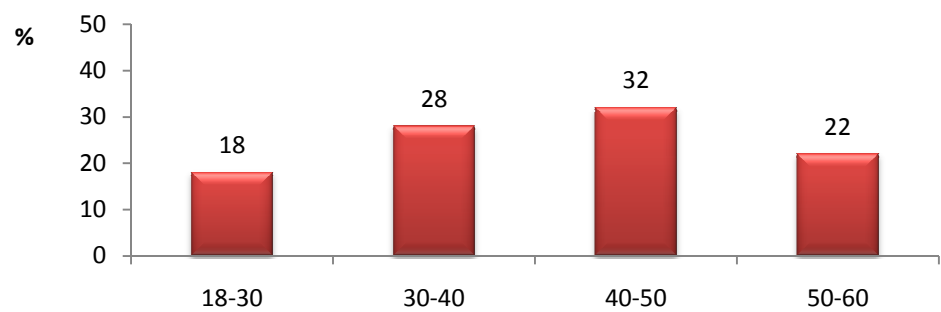
3.2. Other sample characteristics



Graph 1: Distribution of the sample's **level of education**



Graph 2: Distribution of the sample's **household**
(Number of respondents with a given number of members in the household)



Graph 3: Distribution of the **sample ages**
(Number of respondents within a given range of ages)